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DIRECTORATE OF
INTELLIGENCE

Central Intelligence Bulletin

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29 January 1970

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Approved For Release 2003/01/29 : CIA-RDP79T00975A015500010001-8

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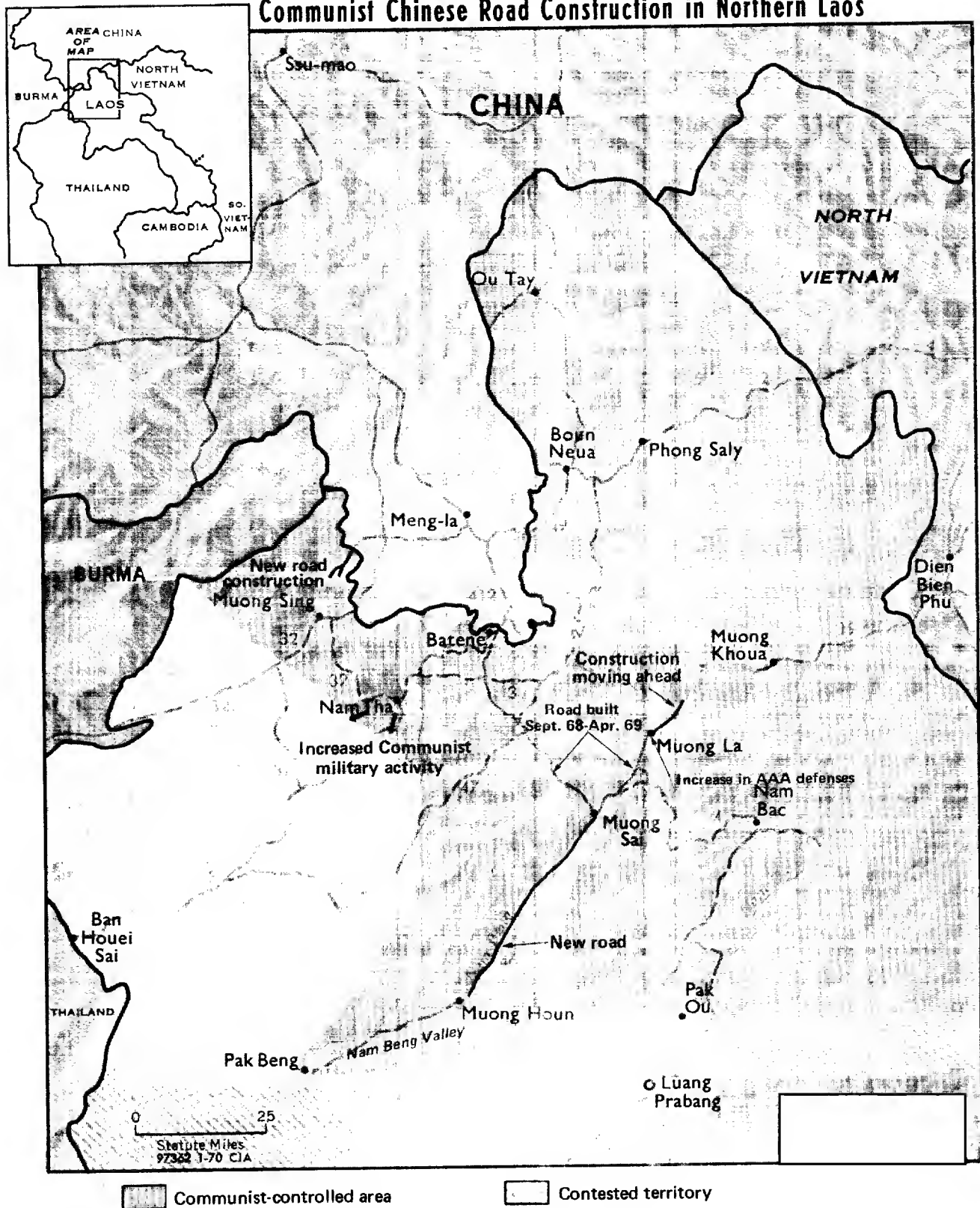
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Communist Chinese Road Construction in Northern Laos



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Laos - Communist China: The Chinese are pushing road construction north from Muong La after several months of limited activity.

25X1 [redacted] as of
25X1 24 January construction activity had been extended some seven miles [redacted] on a road that presumably will link Muong Sai with Route 19. Heavy equipment is being used to grade the road, which now includes some drainage culverts. The rate of progress on this stretch is still well below the mile-a-day rate achieved on the southwestern leg to Muong Houn.

25X1 Meanwhile, in the extreme northwest corner of Laos, [redacted] the Chinese recently have constructed a limited-weather road some five miles across the Laotian border. The new road is probably to help the Pathet Lao's current effort to consolidate control over the generally hostile populace in this area.

25X1 The primary thrust of the Pathet Lao's dry season activities in the northwest, however, is focused south and west of Nam Tha, where a number of government outposts have been under enemy pressure. For the moment, government troops in this area, backed by Lao aircraft, seem capable of meeting this threat.

[redacted] (Map)

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Czechoslovakia: Party leader Gustav Husak appears to have improved his power position, but at the cost of giving the party leadership a decidedly more conservative complexion.

An expanded party plenum that opened yesterday approved the promotion of a number of conservative officials--some of whom were prominent under former party boss Novotny--to replace the moderates who had stayed on since participating in Dubcek's reform regime in 1968.

Husak has removed from contention a potential rival, Lubomir Strougal, by engineering his transfer from the head of the powerful Czech party to the post of federal premier, replacing Oldrich Cernik. Strougal's successor in the Czech party, Josef Kempny, is considered a moderate-conservative likely to support Husak.

Three conservatives who had served in Novotny's leadership were elected to the party presidium, and Alois Indra, Moscow's choice to head a "collaborationist" regime after the invasion in August 1968, was granted alternate membership on the party's ruling body. Indra probably is still Moscow's choice for party leader in case of unforeseen contingencies. The conservatives, who control the police and security apparatus, succeeded in forcing the resignation of moderate Interior Minister Jan Pelnar, one of the Czechoslovak leaders who attempted to resist Soviet pressures in the immediate post-invasion period.

Several other federal ministers and state secretaries also have resigned, and more changes in key federal and regional party and government organizations are imminent. The full significance of these shifts cannot yet be clearly determined; some of them appear to be an attempt to install effective

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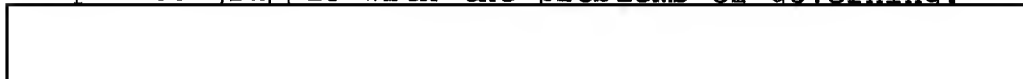
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leaders who will be more responsive to the dictates of the party hierarchy, and to the needs of the country. Nevertheless, yesterday's changes are basically compromises, and this, as well as the promotion of Indra, will make more difficult Husak's attempts to grapple with the problems of governing.



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Panama: The government is continuing its effort to develop a powerful labor movement and turn it into a key pillar of support.

In two recent speeches before the Communist and the non-Communist labor federations, Minister of Labor Escobar stressed that one of the primary goals of the "revolutionary government" is to organize labor to put it on a more equal footing with employers. Last November, junta strongman General Torrijos called for the creation by the government of a compulsory labor organization. Stiff opposition from the democratic labor confederation and business groups sidetracked this plan, however. Escobar's speeches represent a softening of Torrijos' earlier approach, but they may signal the start of a new push to formalize government-labor ties.

The labor minister's close association with the Communist labor federation and its strong support of the minister's policies are causing concern among some Panamanians, who fear that the Communists will form the core of any government-sponsored labor organization. [REDACTED]

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[REDACTED] Escobar [REDACTED] seems to have Torrijos' support. Moreover, he continues to pack the ministry with people sympathetic to his views. [REDACTED]

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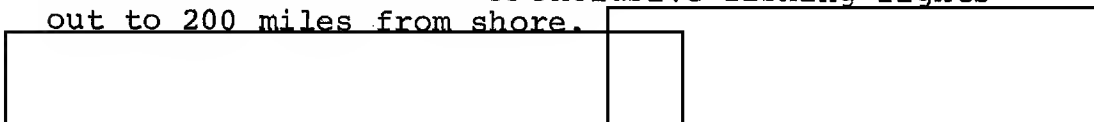
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Peru: The navy is finding it difficult to avoid incidents with US ships fishing within Peru's claimed 200-mile territorial waters.



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Seizures of US tuna boats and large fines for unauthorized fishing in Peruvian waters have been major irritants in US-Peruvian relations in recent years. A recurrence of such incidents during the current fishing season would create an unfavorable atmosphere when the US meets again with Chile, Ecuador, and Peru to discuss problems arising from the three countries' claim to exclusive fishing rights out to 200 miles from shore.



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UN: The Jackson report, one of the first in-depth appraisals of the UN technical assistance effort, has created a stir in UN circles.

Commissioned by the UN Development Program (UNDP), the study was directed by Sir Robert Jackson of Australia, a former UN undersecretary and a principal architect of the UN Relief and Rehabilitation Program during the late 1940s. In his report, Jackson claims that 20 percent of the assistance projects undertaken in the \$200-million annual effort are "deadwood," initiated in many cases by the "salesmanship" of the UN agencies responsible for their management.

Jackson recommends that the responsibility for the technical aid program be vested in a single, powerful authority, possibly the UNDP itself. He urges increased reliance by such an authority on outside contractors. The recommendations, submitted on 1 December, will be taken up by the UNDP governing council in March.

Scandinavian representatives at the UN have said that the Jackson report will be a crucial element in determining their governments' future commitments of foreign assistance through the UN system. If the technical aid program is not revamped, they would place greater emphasis on bilateral assistance and other available multilateral channels. Japan also has commented favorably on the report.

Many of the less developed countries have taken a cautious attitude toward the Jackson report. India apparently fears that a further concentration of authority and responsibility within the UNDP would increase the influence of the major donors. Another negative note has been sounded by a number of Western delegates to the UN who doubt that the UNDP staff has the capability to exercise the increased prerogatives the Jackson proposals would confer on it.

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East Germany - West Berlin: East German harassment of West German travelers to and from West Berlin ceased yesterday. The relatively low-key East German actions began on 21 January to protest the West German Bundestag committee and party meetings in West Berlin from 22-27 January. East German harassment reached its peak on 27 January, after West German Chancellor Willy Brandt's return to Bonn from a one-day visit to West Berlin. No harassment of Allied traffic was attempted. [REDACTED]

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Cyprus: President Makarios so far is backing the anti-terrorist measures put into effect during his recent absence by acting President Clerides. Despite pressure from extremist groups on both the left and right, Makarios has also endorsed a preventive detention law proposed by Clerides, but he has suggested a six-month time limit for the bill. Rauf Denktash, spokesman for the Turkish-Cypriot community in the recently resumed intercommunal talks, paid an implied tribute to Greek-Cypriot Clerides for initiating the anti-terrorist campaign. Denktash, however, has warned of serious consequences if his community becomes the target of terrorist attacks. [REDACTED]

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Panama: The government has signed an agreement with a British - West German consortium to arrange for financing and construction of an \$80-million oil pipeline across the isthmus, according to press reports. The proposed government-owned line, which is to have a daily capacity of 700,000 barrels, would transport crude oil brought from Pacific Coast areas and Alaska by tankers too large to go through the canal. Construction is expected to take 18 months and to pay for itself in ten years through a 15-cent-per-barrel transit charge. [REDACTED]

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Guatemala: A widely known progovernment newspaper executive was assassinated yesterday in Guatemala City, probably by Communist terrorists. The incident broke a two-week lull in the urban terrorism that began in mid-December when the Communists launched their effort to disrupt the campaign for the general elections of 1 March. This unprecedented attack on a person connected with the public media is apparently calculated to aggravate pre-election tensions.

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